

Message Text

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E.O.11652: GDS

TAGS: GE, ECON

SUBJECT: GDR 1976-80 ECONOMIC PLAN

1. SUMMARY: DRAFT DIRECTIVES FOR THE 1976-80 GDR
ECONOMIC PLAN CALL FOR CONTINUED GROWTH OF THE ECONOMY
AT ABOUT CURRENT RATES, WITH SOMESLOWDOWN IN GROWTH
OF THE CONSUMER SECTOR AND ONLY GRADUAL EXPANSION OF
AGRICULTURE. THE PLAN CONTINUES THE TREND OF RECENT
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YEARS IN PLACING STRONG EMPHASIS ON RAISING THE EFFICIENCY

OF RESOURCE USE, INCLUDING LABOR. IT ALSO SUGGESTS A MAJOR GDR EFFORT TO REDUCE EAST GERMAN DEPENDENCE ON OUTSIDE SOURCES OF FUEL AND RAW MATERIALS. END SUMMARY

2. DRAFT DIRECTIVES FOR THE 1976-80 FIVE YEAR PLAN WERE PUBLISHED IN NEUES DEUTSCHLAND JANUARY 15. THE NEW FIVE YEAR PLAN AIMS AT CONTINUED GROWTH OF THE ECONOMY AT ABOUT 5.5 PERCENT ANNUALLY, A RATE marginally HIGHER THAN THE AVERAGE ACTUALLY ACHIEVED IN 1971-75. INDUSTRIAL OUTPUT IS PLANNED TO GROW ABOUT 6.8 PERCENT ANNUALLY, THE SAME RATE AS TARGETED IN THE PREVIOUS PLAN. THE DRAFT DIRECTIVES GIVE NO FIGURE FOR PLANNED GROWTH OF AGRICULTURAL PRODUCTION, SUGGESTING THAT AGRICULTURAL OUTPUT IS NOT EXPECTED TO INCREASE SIGNIFICANTLY IN THE NEW PLAN.

3. THREE PARTLY INTERDEPENDENT AND PARTLY CONTRADICTORY THEMES DOMINATE THIS PLAN. FIRST IS THAT THE PURPOSE OF THE DEVELOPMENT OF THE ECONOMY IS TO PRODUCE A BETTER LIFE FOR THE INHABITANTS OF THE GDR. THERE IS NO REFERENCE TO PRODUCTION FOR PURPOSES OF NATIONAL POLICY, OR IN COMPETITION WITH OTHER COUNTRIES OR SYSTEMS. THE MESSAGE TO THE POPULATION IS PUT CLEARLY; HOW WE LIVE DEPENDS ON HOW WE WORK AND MANAGE OUR AFFAIRS. THE SECOND MAIN THEME OF THE DOCUMENT IS THAT THE GDR MUST RELY IN THE FINAL ANALYSIS ON INTERNAL RESOURCES TO COPE WITH INCREASING PRESSURES FROM OUTSIDE, ESPECIALLY RISING FUEL AND RAW MATERIALS COSTS. THIS IMPLIES STRENUOUS EFFORTS TO REDUCE RESOURCE INPUTS PER UNIT OF OUTPUT IN GENERAL, AND MORE EFFICIENT USE OF IMPORTED FUELS AND MATERIALS IN PARTICULAR, ESPECIALLY SOFT COAL, IN AN EFFORT TO REDUCE ENERGY DEPENDENCE ON THE SOVIET UNION. THE NEW PLAN LAYS CONTINUED HEAVY STRESS ON THE NECESSITY OF INTENSIVE, RATHER THAN EXTENSIVE GROWTH, WITH THE GREATER PART OF PRODUCTIVITY INCREASES TO COME FROM SCIENCE AND TECHNOLOGY, AND A LESSER SHARE FROM IMPROVED WORK PERFORMANCE. TO THIS END, SCIENCE AND TECHNOLOGY IS TO RECEIVE INCREASED ATTENTION, WITH EMPHASIS ON IMPROVING THE ECONOMY'S ABILITY TO APPLY EXISTING TECHNOLOGIES. THE THIRD THEME, TO A DEGREE CONTRADICTING

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THE OTHERS, IS ECONOMIC INTEGRATION WITH THE SOCIALIST COMMUNITY, AND PARTICULARLY WITH THE SOVIET UNION. THE GDR VIEW OF INTEGRATION THAT EMERGES FROM THE PLAN DOCUMENT IS NOT, HOWEVER, A SUBMERGING OF THE EAST GERMAN ECONOMY IN AN ECONOMIC JUGGERNAUT STEERED FROM MOSCOW. THE GDR CONCEPTION ENVISIONS, RATHER, GDR SPECIALIZATION IN AGREED BRANCHES OF PRODUCTION, AND REALIZATION OF ECONOMIES OF SCALE THROUGH EXPANDED SCALE OF PRODUCTION.

THE GDR CONCEPT ALSO APPEARS TO INVOLVE JOINTRESEARCH AND TECHNOLOGY-SHARING ARRANGEMENTS WITH THE SOVIETS AND OTHERS WITH THE GDR TAKING AS WELL AS GIVING. LASTLY, INTEGRATION IN THE GDR VIEW ENTAILS PAYING ITS DUES ON THE CONSTRUCTION OF MAJOR RESOURCES PROJECTS IN THE SOVIET UNION, WHICH ARE TO PAY OFF IN FUTURE SHIPMENTS OF RESOURCES TO THE GDR.

4. THE PLAN ASKS INDUSTRY TO RAISE OUTPUT BY PLAN'S END IN 1980 TO A LEVEL 34-36 PERCENT ABOVE 1975, WHILE REDUCING INPUTS OF FUEL AND RAW MATERIALS PER UNIT OF OUTPUT BY 3 PERCENT PER YEAR. IMPROVED LABOR PERFORMANCE WILL CONTRIBUTE 30-40 PERCENT OF THE PLANNED INCREASE IN PRODUCTIVITY, THE BALANCE ARISING FROM TECHNOLOGICAL ADVANCES. THIS IMPROVEMENT IN LABOR PERFORMANCE IS TO BE CALLED FORTH BY AN INCREASINGLY " PERFORMANCE-ORIENTED" WAGE POLICY COUPLED WITH RISES IN WORKER PRODUCTION NORMS AS IMPROVED TECHNOLOGY IS INTRODUCED. CONSISTENT WITH OVERALL GOALS TO REDUCE RESOURCE AND FUEL DEPENDENCE AND INCREASE EXPORT CAPABILITIES, INDUSTRIAL EXPANSION WILL CONCENTRATE ON COAL AND ENERGY INDUSTRY, CHEMICALS, METALLURGY, POTASH INDUSTRY, ELECTRONICS, MACHINE BUILDING, AND LIGHT INDUSTRY.

5. AGRICULTURE IS TO BE DEVELOPED IN ACCORD WITH THE PRINCIPLE ADOPTED AT THE 8TH PARTY CONGRESS THAT WHERE POSSIBLE DOMESTIC PRODUCTION IS PREFERABLE TO IMPORTING. DEVELOPMENT OF AGRICULTURE WILL FOCUS ON INCREASED PRODUCTION BY INTENSIVE MEANS THROUGH THE INTRODUCTION OF INDUSTRIAL PRODUCTION METHODS. GRAIN PRODUCTION IS TO RISE FROM A 1969/75 ANNUAL AVERAGE OF 8.0 MILLION METRIC TONS TO AN AVERAGE OF 10.5 MILLION METRIC TONS 1976/80. CORRESPONDING FIGURES FOR LEGUME PRODUCTION
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ARE 100,000 TONS AND 250,000, AND FOR FRUIT AN AVERAGE OF 630,000 TONS ANNUALLY AGAINST AN AVERAGE OF 575,000 TONS OF 1969/75. A VARIETY OF ADMINISTRATIVE AND TECHNICAL MEASURES. INCLUDING THE GRADUAL CREATION OF " AGRO-INDUSTRIAL COMPLEXES" AND EXPANSION OF THE USE OF CHEMICALS IN BOTH LIVESTOCK AND CROP PRODUCTION WILL BE EMPLOYED TO RAISE OUTPUT.

6. THE NEW PLAN CONTINUES TO PROMISE CONSUMERS STABLE PRICES IN RETURN FOR WHICH THEY ARE EXPECTED TO SETTLE FOR ONLY MODEST INCREASES INCOME AND CONSUMPTION. GLOBAL GROWTH TARGETS FOR THE CONSUMER SECTOR ARE GENERALLY LOWER THAN REPORTED ACHIEVEMENTS IN THE LAST FIVE-YEAR PLAN AND SUGGEST A SLOWDOWN IN FUTURE GROWTH OF THE CONSUMER ECONOMY, A TENDENCY ALREADY IN EVIDENCE IN 1975.

THUS THE TARGET FOR GROWTH OF RETAIL TRADE OVER THE WHOLE PERIOD 1976/80 IS 20-22 PERCENT COMPARED WITH REPORTED ACHIEVEMENT OF 28 PERCENT IN THE LAST PLAN. WITHIN THIS OVERALL INDEX, SALES OF MANUFACTURED CONSUMER GOODS ARE TO RISE BETWEEN 4.5 AND 5 PERCENT ANNUALLY, WHILE SALES OF FOOD PRODUCTS ARE TO GROW AT AN ANNUAL RATE OF 2.5 TO 3 PERCENT. IN BOTH CASES THEIR RATES ARE BELOW RATES REPORTEDLY ACHIEVED IN EACH OF THE FIRST FOUR YEARS OF THE LAST PLAN, AND CORRESPOND MORE CLOSELY TO THE LOW RATES ACHIEVED IN 1975. GROWTH OF MONEY INCOME OF THE POPULATION IS TO BE HELD TO THE SAME RATE AS THAT OF RETAIL TRADE AS A WHOLE, I.E., 20-22 PERCENT OVER FIVE YEARS. ON HOUSING, A PERENNIAL GDR PROBLEM AREA, THE NEW PLAN CALLS FOR CONSTRUCTION OR RENOVATION OF 750,000 HOUSING UNITS, OF WHICH 550,000 ARE NEW UNITS. IN THE PREVIOUS PLAN, THE TARGET FOR NEW OR RENOVATED HOUSING UNITS WAS 500,000, A TARGET REPORTED AS EXCEEDED BY A MARGIN OF 109,000 UNITS.

7. COMMENT: INTENSIFICATION, ON WHICH THE PLAN LAYS SO MUCH STRESS, IS NOT A NEW IDEA, NOR IS IT A SURPRISING ONE, CONSIDERING THE INTERNAL AND EXTERNAL LIMITATIONS ON GDR RESOURCES, AND THE DETERIORATION OF THE GDR'S TERMS

OF TRADE THAT HAS TAKEN PLACE SINCE 1973. WHAT IS STRIKING, HOWEVER, IS THE EXTENT TO WHICH
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THE GDR APPEARS DETERMINED TO ATTEMPT TO REDUCE ITS RESOURCE DEPENDENCE ON THE SOVIET UNION DESPITE PUBLIC OBEISANCE TO THE PRINCIPLES OF INTEGRATION AS EMBODIED IN THE CEMA COMPREHENSIVE PROGRAM. THE OUTLOOK FOR THE EAST GERMAN IN THE STREET WOULD APPEAR TO BE MIXED: ON ONE HAND THE REGIME HAS RENEWED ITS COMMITMENT TO STABLE PRICES AND A STANDARD LIVING THAT IS TO CONTINUE RISING, IF AT A RATE SOMEWHAT LOWER THAN THE EARLY 1970'S

MEANWHILE A MORE "PERFORMANCE-ORIENTED" WAGE SYSTEM AND GRADUALLY INCREASING PRODUCTION NORMS CAN HARDLY BE GOOD NEWS TO A WORK FORCE THAT HAS GROWN ACCUSTOMED TO THE RELATIVELY UNDEMANDING PACE OF SOCIALIST PRODUCTION. COOPER

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